



Director of
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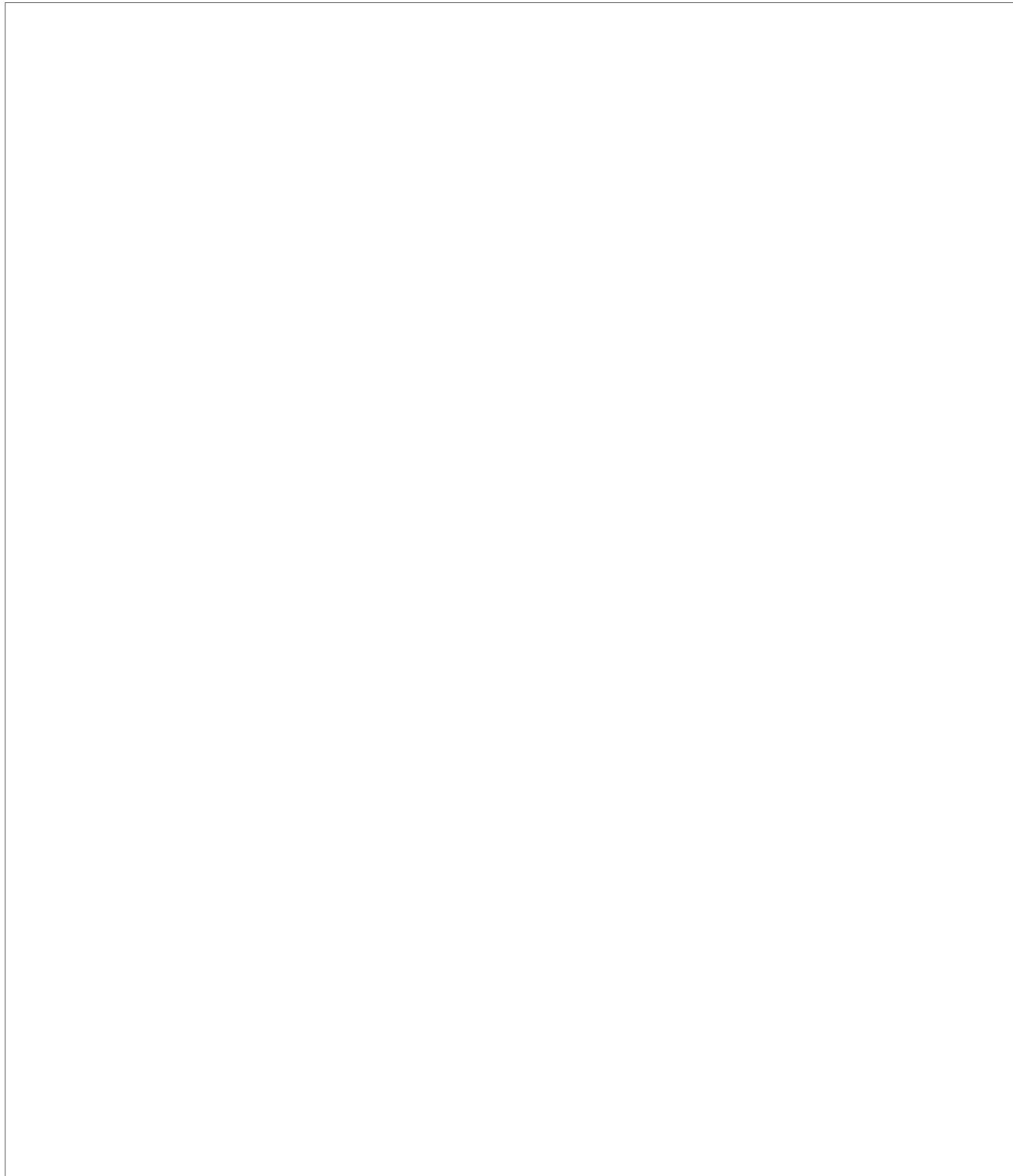
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SITUATION REPORT

IRAN

A senior official of the Islamic Republic Party and Interior Ministry officials said yesterday that the second round of legislative elections may be postponed until mid-May. (U)

Ayatollah Bahonar, a close ally of Ayatollah Beheshti, indicated that postponement may be necessary because the investigation of vote-tampering in the first round is going slowly. President Bani-Sadr's supporters need more time to organize for the second round, but there is no evidence that he is focusing his attention on the elections. (U)

In a speech telecast last night in Iran, Ayatollah Khomeini told Iranians not to fear sanctions and urged Western Europe not to support US reprisals against Iran. Foreign Minister Ghotbzadeh last night publicly claimed sanctions would not "bite" Iranians for at least six months. (U)

Foreign reaction to President Carter's announcement yesterday of new US measures against Iran has so far been scanty. Moscow radio covered the steps rather matter-of-factly but did claim that Western Europe had given him only a "cool response." Japanese officials are said to have begun a "detailed study" of the US announcement.

Iran-Iraq

The Iranian Charge in Lebanon was wounded outside his Embassy in Beirut last night, apparently by machine-gun fire from the area of the Iraqi Embassy. The shooting capped three days of clashes between pro-Iraqi

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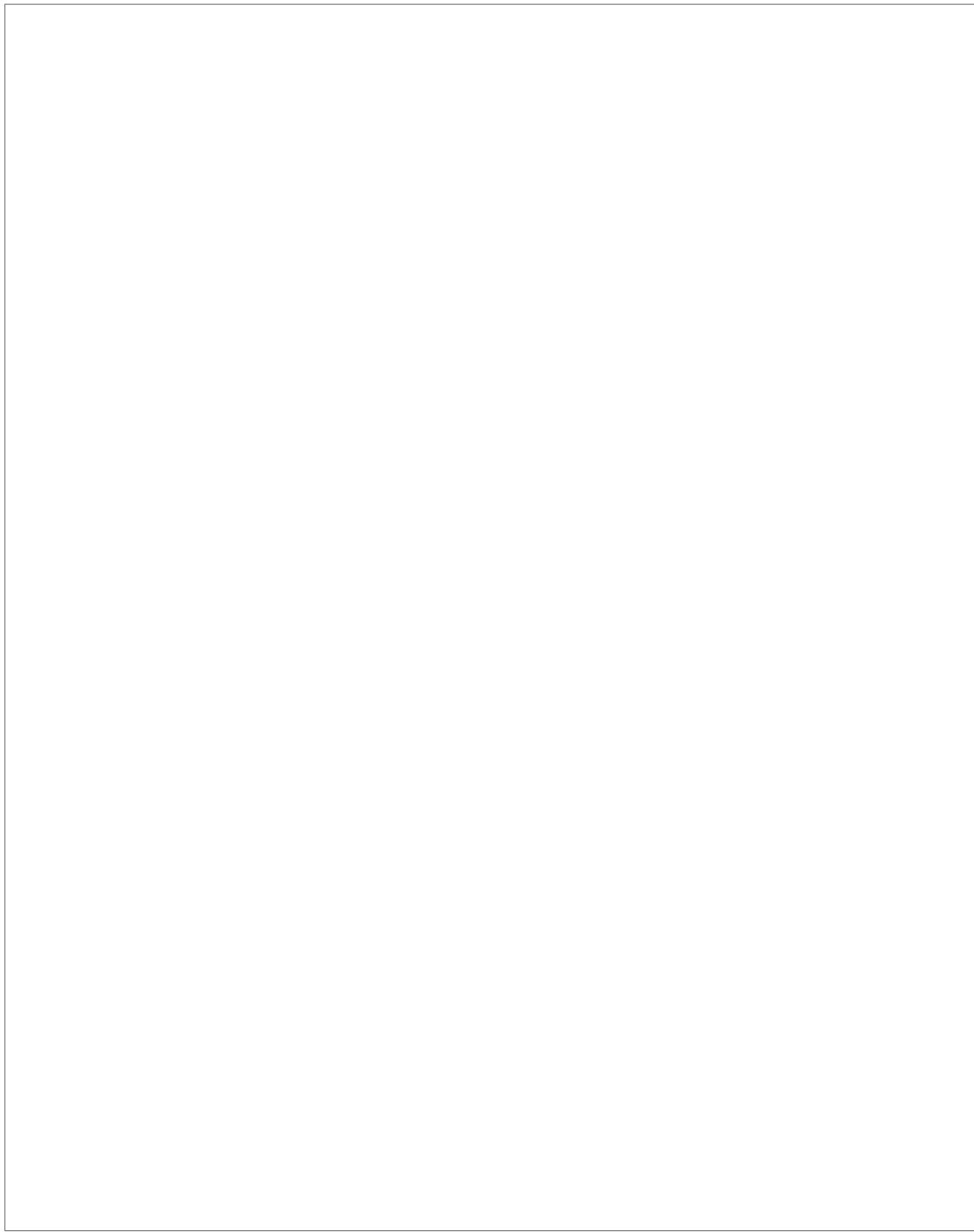
Palestinian guerrillas and Shiite elements in the Beirut area; the wounding of the Charge may have been simply within that context.

Oil Pricing

Iran has turned down requests from some crude oil buyers to cancel or reduce the \$2.50 per barrel price increase of 1 April. British Petroleum and Japanese representatives met with the National Iranian Oil Company this week in hopes of renegotiating prices. National Iranian Oil Company officials reportedly told a Japanese company that the price is not subject to negotiation and suggested that the Japanese firm could reduce its liftings if it does not like the new price. British Petroleum has not scheduled tankers to go into Kharg next week.

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**OLYMPIC PARTICIPATION
GOVERNMENT POSITIONS**

Boycott Supporters	Probable Boycott Supporters By 24 May	Leaning Toward A Boycott	Undecided	Leaning Against A Boycott	Definite Olympic Participants
EUROPE					
UK	Belgium	Canada	Andorra	Austria	Bulgaria
West Germany	France	Luxembourg	Denmark	Ireland	Cyprus
	Italy	Netherlands	Greece		Czechoslovakia
	Monaco	Portugal	Iceland		East Germany
		Spain	Norway		Finland
		Switzerland	Sweden		Hungary
			Turkey		Malta
					Poland
					Romania
					San Marino
					USSR
					Yugoslavia
EAST ASIA/PACIFIC					
Australia	Indonesia	Thailand	Burma	North Korea	Mongolia
China					Laos
Fiji					Vietnam
Hong Kong					
Japan					
Malaysia					
New Zealand					
Papua New Guinea					
Philippines					
Singapore					
South Korea					
NEAR EAST/ SOUTH ASIA					
Bahrain	Morocco	Nepal	Iraq	Afghanistan	
Bangladesh	Pakistan	Sri Lanka	Jordan	Algeria	
Egypt	Tunisia		Kuwait	India	
Iran	United Arab Emirates		North Yemen	Lebanon	
Israel				Libya	
Oman				South Yemen	
Qatar				Syria	
Saudi Arabia					
AFRICA					
Central African Rep.	Gabon	Chad	Guinea	Angola	Botswana
Djibouti		Equatorial Guinea	Niger	Benin	Lesotho
Ivory Coast		Liberia	Swaziland	Cameroon	Mali
Kenya		Mauritania	Togo	Ghana	Mauritius
Malawi			Upper Volta	Madagascar	Mozambique
Somalia				Seychelles	Nigeria
Sudan				Sierra Leone	Senegal
Zaire				Tanzania	Zambia
LATIN AMERICA					
Antigua	Guatemala	Argentina	Brazil	Bolivia	
Bermuda	Paraguay	Barbados	Ecuador	Costa Rica	
Chile		Colombia	Suriname	Cuba	
Haiti		Dom. Republic	Trinidad and Tobago	Guyana	
Honduras			Uruguay	Jamaica	
St. Vincent				Mexico	
				Nicaragua	
				Panama	
				Peru	
				Venezuela	

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INTERNATIONAL: Status of Olympic Boycott

Support for an Olympic boycott continues to grow. [redacted]

West Germany's decision to boycott probably means that few West European teams will go to Moscow. Bonn will try to arrange a European Community consensus at next week's Foreign Ministers' meeting in Luxembourg.
[redacted]

Most West European Olympic committees probably will abide by their governments' advice on Olympic participation. Japan's Olympic committee also is likely to support its government and boycott the games.
[redacted]

Of the major boycott supporters, the UK, Australia, and New Zealand face the stiffest opposition from athletes and sport officials wanting to go to Moscow. Most Third World governments, which closely control their Olympic committees, have made or will make their decision independently of the vote by the US Olympic Committee.
[redacted]

Next week the International Olympic Committee meets to consider last-ditch action against a boycott. The Committee could complicate the US effort by permitting individual athletes, rather than national teams, to attend the games and by abandoning the politically charged opening and closing ceremonies.
[redacted]

These moves would deprive national committees of their monopoly over team selection and reduce the political prestige of participation in the Olympics. As in the past, these suggestions probably will fail again to get the required two-thirds vote.
[redacted]

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INDIA-PAKISTAN: Leaders to Meet

The scheduled private meeting today between Indian Prime Minister Gandhi and Pakistani President Zia in Salisbury, Zimbabwe, could accelerate efforts to improve relations between the two countries.

The two leaders, who have not met before, probably will largely sound each other out on the Afghanistan situation. Although they have divergent perceptions of Soviet policy and intentions toward the region and Pakistan's defense requirements, both leaders seem increasingly interested in overcoming past misunderstandings and building mutual confidence.

Gandhi probably will encourage accommodation with the USSR. While en route to Salisbury she reiterated her standard line that prospects for the withdrawal of Soviet troops from Afghanistan would improve if other countries stopped condemning the Soviets and sought ways to assure Moscow that its interests were not being threatened. Zia, however, continues to demand withdrawal as a precondition for any significant progress in improving relations between Pakistan and the USSR.

Informal talks in Islamabad last week between a special emissary of Gandhi and Pakistani officials paved the way for Zia's top foreign affairs adviser to visit New Delhi in late May. During his visit to Islamabad, Gandhi's emissary suggested the creation of some sort of institutional framework for regular bilateral exchanges. The proposal was not rejected out of hand, possibly indicating Pakistani interest in reaching a broad accommodation with the Indians.

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NIGERIA: Oil Scandal

President Shagari must soon come up with a convincing explanation of what happened to some \$5 billion in oil revenues or risk damaging his political standing.

The alleged shortage, first revealed by the local press last fall following an audit of the 1977 accounts of the Nigerian National Petroleum Corporation, is attributed by corporation officials to poor bookkeeping. The affair attracted little interest until late March when the Senate majority leader claimed he had located the money in a private London bank account. This charge led to demands for a legislative investigation, the suspension of several senior Petroleum Corporation officials, and student demonstrations.

A legislative report is to be issued today. Whatever its findings, because of the history of corruption among senior government officials, Shagari will find it hard to convince the public that some wrongdoing did not occur.

[redacted] Shagari's foes in the Yoruba tribe will try to use Shagari's handling of the episode as evidence that his government--for past favors--is covering up malfeasance by the former military regime. Yoruba leader Awolowo, Shagari's chief political rival, has long claimed that Shagari's presidential victory last year was due to the machinations of former Head of State General Obasanjo.

The officer corps, sensitive to any charges that its former leaders engaged in corruption, will be watching carefully to see that its image is not tarnished by Shagari's effort to refute Yoruba allegations of a coverup and to satisfy public unhappiness.

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HONDURAS: Assembly Elections

The constituent assembly contests scheduled for Sunday are the first step toward a possible return to civilian rule in Honduras and likely presage an interim military government followed by a direct presidential election.

Junta president General Paz on Wednesday announced military support for a direct presidential election--a turnaround prompted by public and media interest in the contest on Sunday and visits by high-level US officials. The conservative military establishment has had difficulty settling on a strategy and had begun to hedge its plans for a political opening earlier this year. Having vetoed inscription of the left-leaning Christian Democrats, it began more serious consideration of indirect elections and the possibility of a full presidential term for Paz.

The vote will influence the military's final decisions. The final shape of a new government and the armed forces' subsequent role also will depend on how the officers read US concerns over the next few months.

Barring a major surprise on Sunday, Paz probably will become interim President. Both the Liberals and the Nationals, who are expected to split the lion's share of the 71 seats at stake, privately have been amenable to Paz serving in that capacity. The recent shifts in military sentiment mean, however, that prospects for an eventual full-term civilian president have improved.

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LEBANON: Continuing Tension

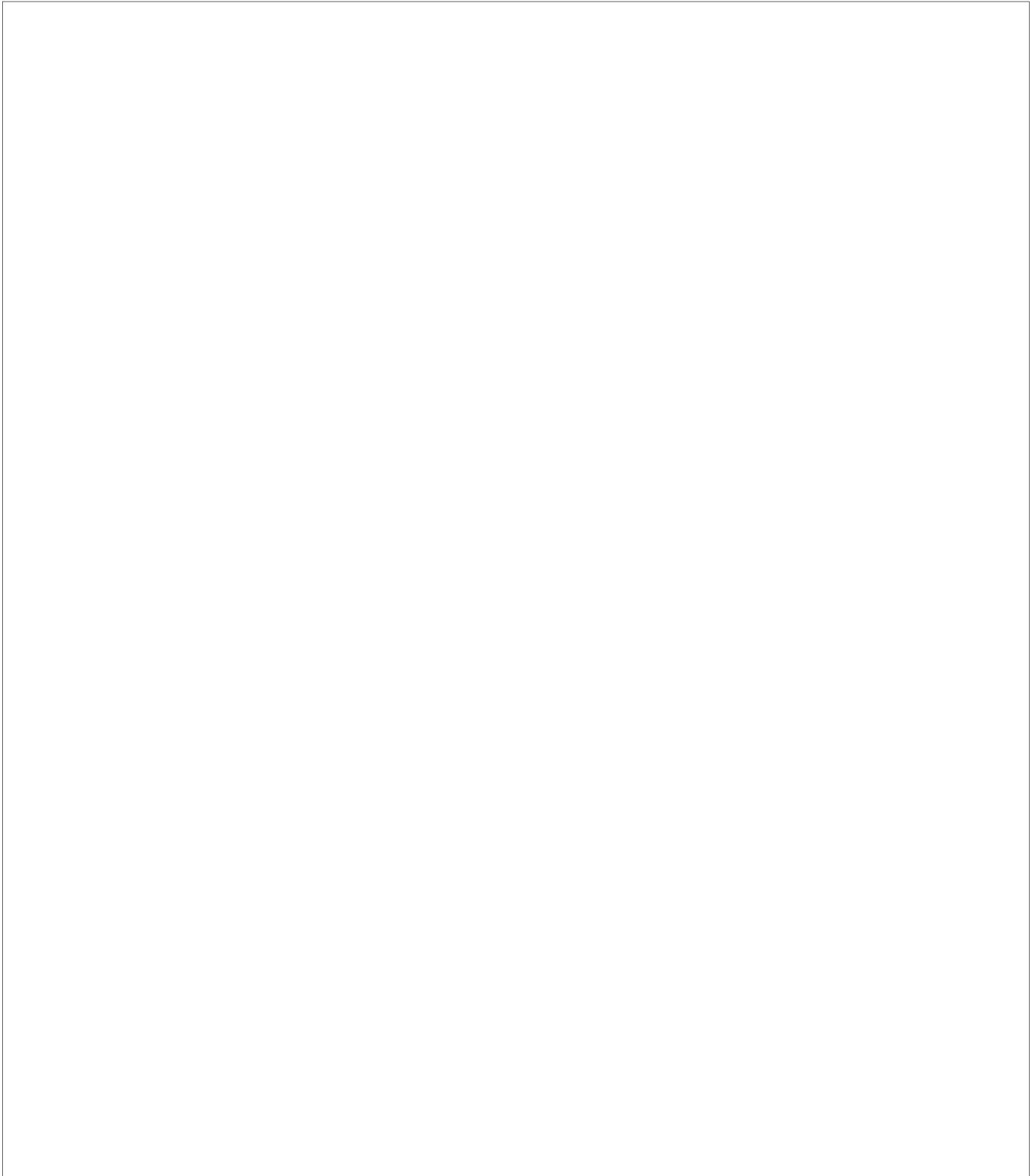
There have been no new clashes in southern Lebanon since the fighting between UN troops and Christian militia last weekend, but the situation remains tense. UN efforts to recover from the substantial damage its headquarters suffered last weekend have been hampered by the militia's continued control of the roads into the UN zone. A plan to put a Lebanese Army detachment into a disputed village between UN units and the militia appears to be foundering. Militia leader Haddad is attempting to wring concessions from Beirut in return for approving the move.

The renewal of serious fighting in the Beirut area may divert the government. Clashes between the Shia-dominated Amal movement and the pro-Baghdad Arab Liberation Front continued yesterday, despite attempts by the Palestine Liberation Organization to arrange a ceasefire. Clashes also broke out yesterday between the two major Christian parties in the Beirut area, with militiamen from the Phalange Party storming the home of the military chief of the National Liberation Party.

ISRAEL: Weizman's Tactics

By publicly calling for an early national election, Defense Minister Weizman aims to step up pressure on Prime Minister Begin to demonstrate greater flexibility on Palestinian autonomy. Weizman may offer his resignation at the regular cabinet meeting this Sunday to force the issue and to enhance his own credibility. Begin, who is scheduled to return to Israel today, probably will concentrate initially on determining whether Weizman enjoys significant support among likeminded moderates in Likud's Liberal Party faction and in the Democratic Movement. If he finds that Weizman is isolated, Begin may be inclined to accept the Defense Minister's resignation.

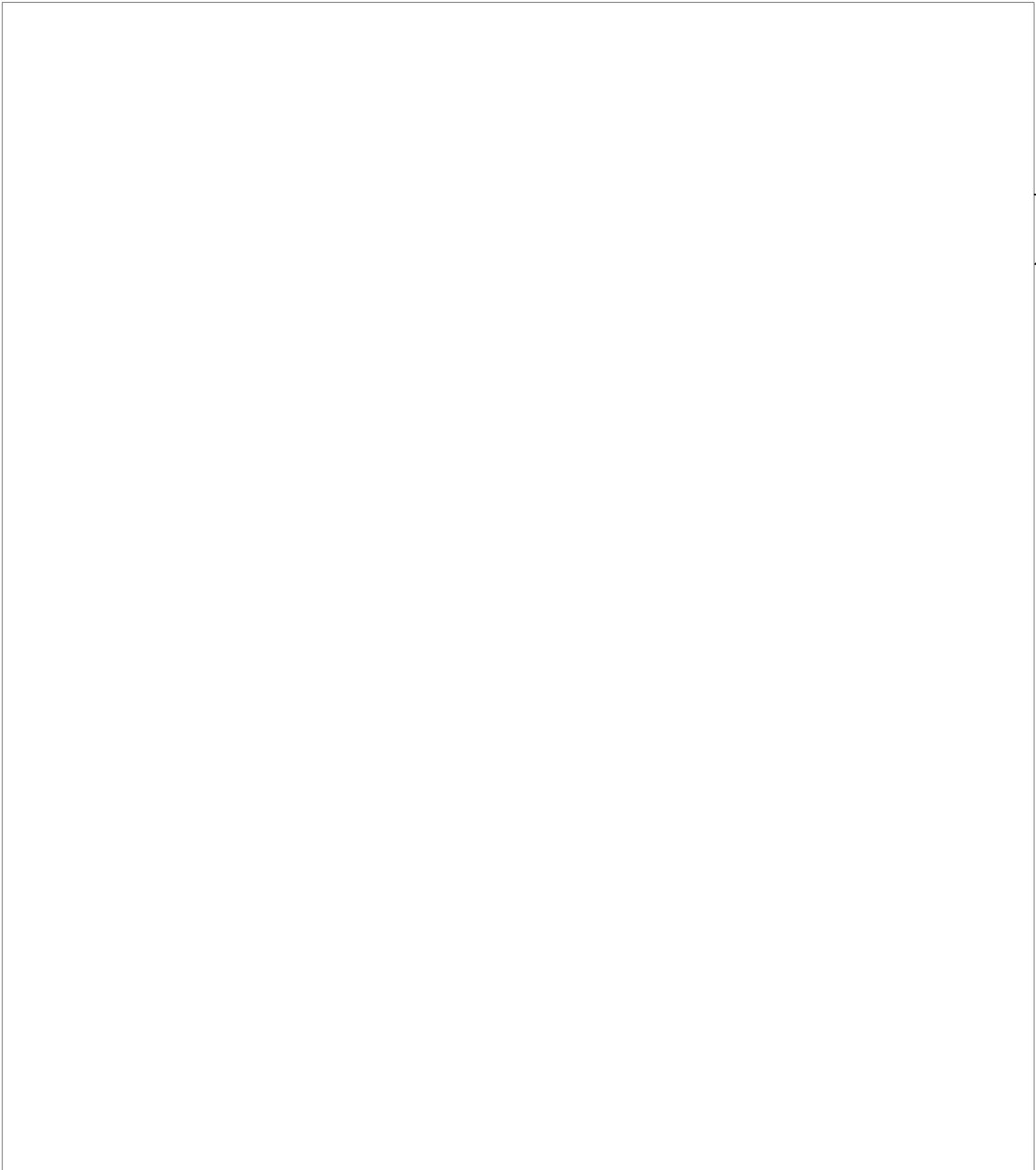
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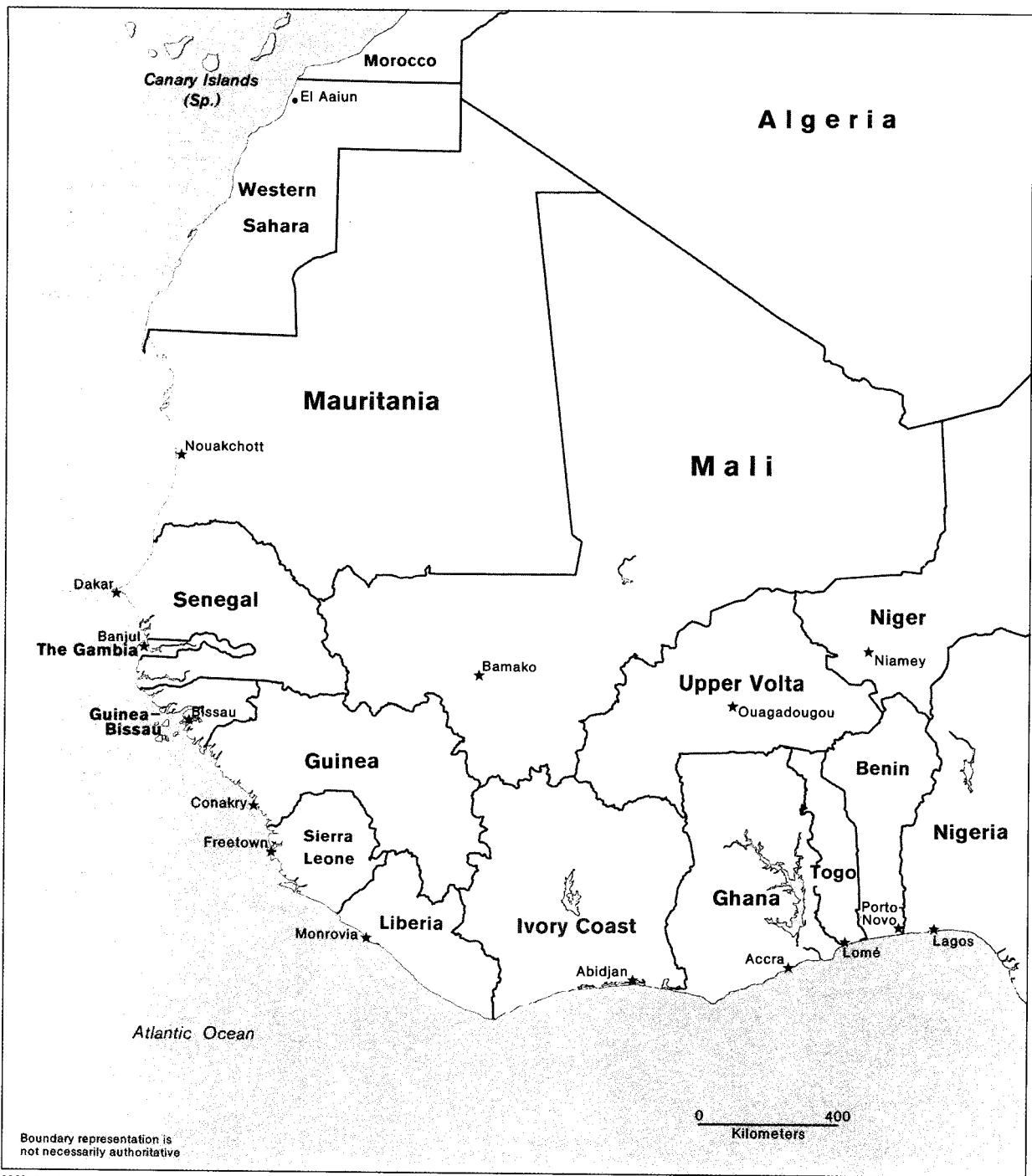
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IVORY COAST: Violence in Abidjan

The government is taking security precautions after a minor incident precipitated two nights of violence in Abidjan between local citizens and Mauritanian emigres. President Houphouet convened an emergency cabinet meeting yesterday, placed the Ivorian military on alert, and ordered the 10,000 Mauritanians living in Abidjan out of the city for their own protection. The government appears in control, but more violence could easily erupt, in view of the rising resentment toward the economic role of the large foreign population--65,000 Frenchmen and 2.5 million non-Ivorian Africans.

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LIBERIA: Continued Improvement

The security situation in Monrovia continues to improve, but a dusk-to-dawn curfew remains in effect. Businesses, transportation facilities, and government ministries are returning to normal; the airport has opened to commercial traffic. The military tribunal is apparently holding pretrial hearings--open only to the press--of former government officials to determine who will be prosecuted further. Unconfirmed reports indicate that about 90 people are scheduled to appear. Minister of State for Presidential Affairs Boley, a civilian, has indicated [redacted] however, that the ultimate fate of prisoners rests primarily with the military leaders. Boley has attempted to moderate military pressures for retribution, and his remarks reveal that some executions are likely. [redacted]

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SPECIAL ANALYSIS

GREECE: The Presidential Election

Prime Minister Karamanlis is likely to make a bid for the presidency when parliament next week commences voting for a successor to President Tsatsos. As president, Karamanlis would be in a better position to safeguard the longer term interests of Greek conservatism against inroads by leftist opposition leader Andreas Papandreou. Karamanlis keeps his own counsel, however, and may yet decide to remain prime minister to retain the more comprehensive control of government inherent in that position.

Karamanlis will announce his intentions today or tomorrow and will seek the concurrence of his New Democracy Party next Tuesday. The constitution of 1975, which was largely Karamanlis' creation, established a strong presidency to give the country the stability the deposed monarchy was supposed to have provided. The President can select a prime minister if there is no obvious candidate, dismiss the government and suspend parliament, and initiate legislation and call for referenda on key issues.

Presidential powers, however, have never been tested. President Tsatsos is a Karamanlis confidant who refrained from exercising his executive powers, thereby enabling the Prime Minister to use the greater day-to-day prerogatives of that office.

Karamanlis' middle-of-the-road policies have gone far toward diminishing the deep split between the political left and right, and his adroit fiscal and monetary policies have led to prosperity and a sound growth rate. His successful summit diplomacy, capped by the approval of Greek membership in the European Community, has done much to repair Greece's relations with its Western allies.

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Karamanlis is currently considering how best to preserve and build upon these accomplishments at a time when the fortunes of his party are declining. The party has been hurt by its prolonged incumbency, the government's unpopular economic austerity measures, and the opposition's successful demagoguery. It cannot be assured of winning a parliamentary majority or even a plurality in the parliamentary election that must take place by November 1981.

Pros and Cons of the Presidency

As president, the 73-year-old Karamanlis would have enough prerogatives to remain the dominant force in Greek politics for another five years, even if his party were to be eclipsed in the election by Papandreu's Panhellenic Socialist Movement. In that event, a Karamanlis presidency would also help safeguard Greek democracy, since the prospect of a government led or dominated by Papandreu might impell the military to intervene, as it did in 1967.

The presidency would also permit Karamanlis to fulfill his longstanding desire to end his political career as leader of all Greeks. That desire probably has been fortified by a recent public opinion poll in which a majority favored Karamanlis for president.

On the other hand, the presidency would deprive Karamanlis of much of his direct control of the economy, the talks on full Greek reintegration into NATO, the disputes with the Turks, and the looming negotiations with the US on a new defense cooperation agreement. Karamanlis' failure to groom a successor to lead his party and take over the prime ministership has left his followers ill-equipped to contest the next election without Karamanlis' vote-getting power.

If Papandreu becomes prime minister, he and Karamanlis are likely to lock horns as each tries to limit the other's prerogatives. This could provoke a constitutional crisis in which Papandreu's youthful followers might attempt to organize a popular protest to drive Karamanlis out of office.

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Karamanlis does not have the two-thirds majority to win in the first two rounds of balloting, but he probably could enlist the support of at least five opposition deputies or independents to secure the three-fifths majority required to win in the third round. Failure to elect a successor after three rounds would result in a new parliamentary election contested on the issue of a Karamanlis presidency.

Beyond the Presidential Election

If Karamanlis moves up to the presidency on 20 June, the first order of business would be the election of a new prime minister. He would prefer that his New Democracy colleagues select party Foreign Minister Elder and Deputy Prime Minister Papakonstantinou as interim prime minister, and that the two principal contenders, Rallis and Defense Minister Averoff, agree on which of them would become the permanent replacement.

Averoff would have the inside track because of his popularity within the party's dominant right wing. Co-ordination Minister Mitsotakis, a former centrist, would be a long shot because most party members view him as an interloper.

All of these prospective candidates would continue Karamanlis' moderately conservative and pro-Western policies with only minor changes and with an eye on the contest with Papandreu in 1981. That election would provide a powerful incentive for the party to hold together despite the disruptive effect of Karamanlis' departure.

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